

Message Text

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21

ACTION EB-07

INFO OCT-01 EA-07 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

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LIMITED OFFICIAL USE CANBERRA 5508

EO 11652: NA

TAGS: EMIN, ENRG, AS

SUBJ: AUSTRALIA'S NORTH WEST SHELF (NWS) PROJECT

REF : CANBERRA 5058

1. THE DAILY AUSTRALIAN CARRIED A SENSATIONAL STORY FILED IN WASHINGTON, WHICH REPORTS THAT IN TWO WEEKS THE GOA WILL MAKE A FIRM DECISION CONCERNING THE DEVELOPMENT OF THE NWS NATURAL GAS PROJECT. THE REPORT STATES THAT U.S.-BASED FINANCES WILL PROVIDE \$A3,000 MILLION FOR DEVELOPMENT OF THE OFF-SHORE GAS FIELD AND ITS ASSOCIATED INFRASTRUCTURE. GOA RELAXATION OF THE REQUIREMENT THAT 50 PERCENT AUSTRALIAN QUUITY MUST BE IN THE PROJECT WILL ENABLE THE VENTURE TO PROCEED WITHIN THE YEAR.

2. SIR CHARLES COURT, PREMIER OF WESTERN AUSTRALIA, HAS CALLED THE PRESS STORY NEITHER TURE NOR UNTRUE. EMBASSY SOURCE ASSOCIATED WIT THE CONSORTIUM PROPOSING TO DEVELOP THE NWS CALLS THE STORY QTE BEAT UP END QTE JOURNALISM; THAT IS, THE STORY IS A PAGE-FILLING EXERCISE WHICH HAS LIMITED OFFICIAL USE

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MISCONSTRUED THE FACTS.

3. REFTEL REPORTED THE STATUS OF NEGOTIATIONS BETWEEN BOCAL (THE OPERATING COMPANY FOR THE CONSORITUM OF WOODSIDE BURMAH, SHELL, BRITISH PETROLEUM, AND CALIFORNIA ASIATIC), AND THE GOVERNMENTS OF WESTERN AUSTRALIA AND THE COMMONWEALTH. SENSITIVE NEGOTIATIONS ARE STILL UNDER WAY BETWEEN THE THREE PARTIES AND THERE HAVE BEEN NO QIC ANNOUCEMENTS ABOUT THE STATUS OF THE TALKS.

4. COMMENT: THE PRINCIPAL ISSUE TO BE RESOLVED BETWEEN THE THREE PARTIES IS WHAT PORTION OF THE NATURAL GAS WILL BOCAL BE PERMITTED TO EXPORT. PROJECTIONS ARE THAT THE GAS FELD WILL PRODUCE 1.3 BILLION CUBIC FEET OF NATURAL GAS PER DAY. EMBOFF HAS BEEN TOLD THAT PROSSIBLY AS MUCH AS 75 PERCENT OF THE OUTPUT WOULD HAVE TO BE EXPORTED TO OFFSET THE LIMITED SIZE OF THE AUSTRALIAN MARKET IN ORDER TO MAKE THE NWS PROJECT FINANCIALLY ATTRACTIVE.

5. IT IS POSSIBLE THAT THE GOA WILL BE MAKING FIRM DECISIONS IN TWO WEEKS RELATIVE TO THE NWS. UNDOUBTEDLY SOME U.S. FINANCIAL INTERESTS WILL PARTICIPATE IN THE PROJECT, BUT THE SOURCE AND AMOUNT OF INVESTMENT CAPITAL HAS NOT YET BEEN IDENTIFIED.
PERCIVAL

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